



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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ASST. AUDITOR-CONTROLLERS

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December 15, 2011

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **DEPARTMENT OF BEACHES AND HARBORS – STATUS OF
COMPLETED REVENUE AGREEMENT AUDITS**

The Department of Beaches and Harbors (DBH) enters into various rents and leases agreements with private and public lessees. These agreements provide for a percentage of the gross receipts reported as leasehold rent revenue, and certain other specified amounts, to be paid to the County over the term of the agreement. The agreements include leases, commercial subleases, concessions for the sale of food and other services including boat slips and bike storage.

At DBH's request, we contracted with an independent Certified Public Accounting firm, Simpson and Simpson, CPAs (Simpson) to audit the contractual gross receipts associated with 89 parcels whose contracts include revenue agreements. The audits covered Fiscal Years 2001-02 through 2008-09.

Review Summary

During their review Simpson did not identify any significant accounting issues; however, they did identify some recordkeeping issues that resulted in monies owed to the County. Of the \$2.6 billion in gross receipts reviewed over the eight fiscal years, \$1.3 million was underpaid. To date, DBH has collected \$1.1 million. Of the remaining balance, \$21,000 has been deemed uncollectible and DBH will continue their efforts to collect the remaining \$191,000.

Review of Report

Simpson discussed their reports with each contractor and DBH, and copies of each audit have been provided to DBH. Due to the large number of audits, copies of the individual reports are not attached, but are available for review.

If you have any questions, please call me, or your staff may contact Lisa Cañada at (213) 974-8307 if you wish to review any of the reports.

WLW:JET:LC:md

c: William T Fujioka, Chief Executive Officer
Santos H. Kreimann, Director, Department of Beaches and Harbors
Public Information Office
Audit Committee